FDIC State Profile

Winter 2004

Nevada

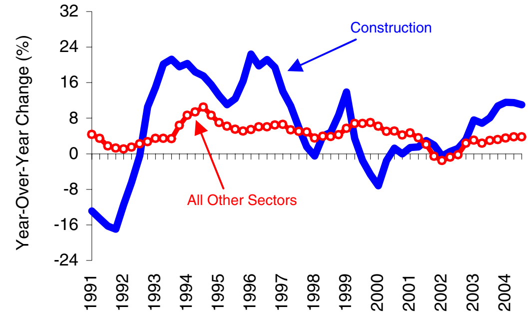
Nevada's job growth continued to outpace all other states.

- The Nevada economy reported 4.5 percent year-over-year employment growth in third quarter 2004 with every major sector reporting gains.
- The construction sector contributed over 11,000 jobs during the period—three-quarters were located in the ***Las Vegas*** metropolitan area (See Chart 1). Nevada economists expect construction activity to continue near its current pace.
- Nevada's service sectors were formidable sources of job growth, driven in part by the state's strong population growth. The leisure and hospitality sector reported 2.3 percent annual growth led by improving visitor volume, gaming revenue, and occupancy levels in Las Vegas.

Consumers benefited from the strong economy.

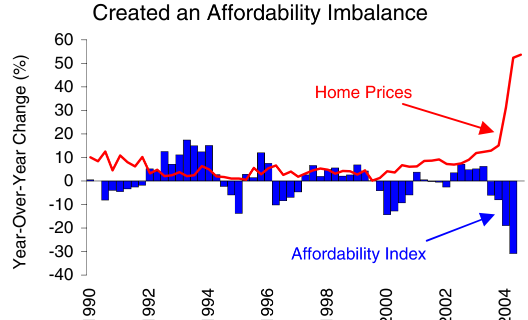
- Nevada reported solid per capita personal income growth in second quarter 2004, ranking sixth nationwide. Although bankruptcy activity has slowed in Nevada, the personal bankruptcy rate still ranked seventh in the nation for the 12 month period ending June 2004.
- In the third quarter of 2004, the Las Vegas metropolitan area continued to report year-over-year home price appreciation in excess of 50 percent according to the National Association of Realtors (NAR). As a result, NAR's Housing Affordability Index suggests that families earning the median income cannot afford a home at the metro area's median home price (See Chart 2).
- Trouble signs may be emerging from the rapid home price growth and affordability imbalance. The Greater Las Vegas Association of Realtors reported that the inventory of homes listed for sale grew from a few thousand in early 2004 to nearly 16,000 in September, prompting one of the area's major home builders to reduce asking prices in October.[1] Also, the Federal Bureau of Investigation cautioned that Nevada is one of the top ten "hot spots" for mortgage fraud.

Chart 1: Construction Activity is a Primary Contributor to Nevada Employment Growth



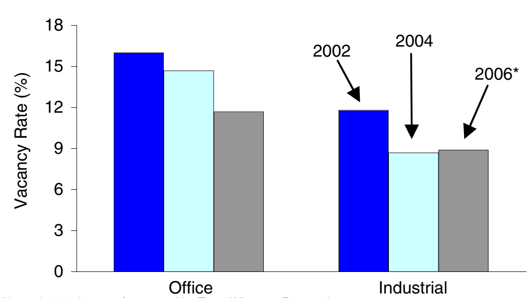
Source: Bureau of Labor Statistics via Haver Analytics

Chart 2: Soaring Home Prices in Las Vegas Have Created an Affordability Imbalance



Note: Affordability Index available only through second quarter 2004.
Sources: National Association of Realtors; Economy.com

Chart 3: Forecasts Show Continued Decline in Las Vegas Office Vacancy Rate Through 2006



Note: *2006 data are forecasted by Torto Wheaton Research.
Source: Torto Wheaton Research (third quarter of each year)

[1] Hubble Smith, "Home Prices on Rise in LV," Las Vegas Review-Journal, October 21, 2004.

- Rising home prices pushed the median year-over-year growth rate in 1-4 family mortgages to 34 percent among institutions open at least three years. Growth occurred in both closed-end mortgages and home equity lines of credit. Assisted by the rapid loan growth, delinquent consumer and mortgage ratios remained among the lowest nationally. However, rising interest rates or slower home sales activity may dampen portfolio growth and challenge loan quality.

Commercial real estate (CRE) conditions improved.

- During the past two years, office vacancy rates improved in the Las Vegas metropolitan area. Torto Wheaton Research (TWR) expects this trend to continue (See Chart 3). Industrial property fundamentals also improved between 2002 and 2004, but TWR forecasts the industrial vacancy rate to remain relatively flat through 2006.

- Apartment demand outpaced the volume of new units coming to the market as evidenced by declining vacancies and rising rents, according to Property and Portfolio Research (PPR).

- PPR also indicated continued strength in Las Vegas hotel occupancy and room rates, contributing to sustained improvement in revenue per available room (RevPAR).

- Market conditions bear watching as Nevada-based institutions reported a median CRE loan-to-Tier 1 capital ratio of 421 percent as of third quarter 2004, the fourth highest concentration of any state.[2] Nevada's median construction and development (C&D) loan-to-Tier 1 capital ratio of 137 percent was second among the states.

Strong economic growth supported new banking offices.

- Annual growth in the number of banking offices and volume of branch deposits in Nevada accelerated between mid 2003 and mid 2004 (See Chart 4). Nevada added banking offices at the second highest rate in the nation (behind Arizona) during the past year. Deposits also increased strongly during the past decade; however, growth in large, single offices controlled by specialty subsidiaries of Citibank and Charles Schwab accounted for more than one third of the increase.

- Deposit and office growth centered in Las Vegas, which has experienced robust population growth and new bank chartering activity during the past decade.

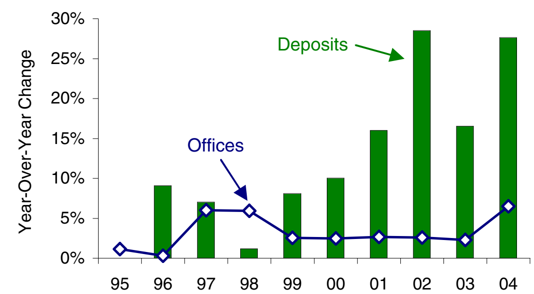
Institutions in Nevada reported strong financial results.

- The median year-to-date return on average assets ratio increased to 1.27 percent through September 30, 2004, up from 1.07 percent last year and significantly above a national median of 1.05 percent. Earnings performance was affected, in part, by highly profitable credit card institutions based in the state.

- Net interest margins widened and overhead and provision expense burdens declined in tandem with the state's maturing de novo bank population.[3] Although provision expenses kept pace with low charge-off and delinquency volumes, they did not track robust overall loan growth, causing the median loan loss reserve-to-total loan ratio to slip below nationwide averages.

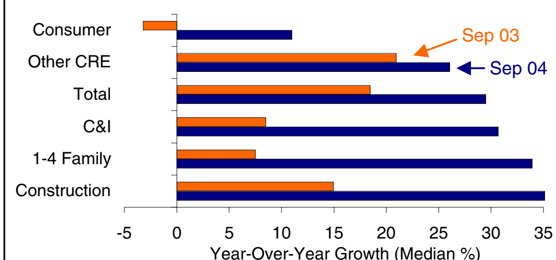
- Past-due and charge-off ratios declined in part because of rapid year-over-year loan growth, which was 29 percent on a median basis among institutions open at least three years. Low interest rates and an expanding economy fed growth rates across all major loan categories (See Chart 5). More than half these institutions used brokered deposits to fund asset growth, up from 20 percent five years ago.

Chart 4: Annual Growth in Banking Offices Recently Accelerated in Nevada



Source: FDIC/OTS Summary of Deposits (June of each year)

Chart 5: Asset and Loan Growth Among Nevada-Based Institutions Accelerated



Note: Includes insured institutions based in Nevada open at least 3 years; other commercial real estate (CRE) includes nonfarm-nonresidential and multifamily mortgages; C&I is commercial and industrial.
Source: FDIC

[2] CRE loans include construction and development, multifamily, and nonfarm-nonresidential mortgages.

[3] During the early years of operation, weak economies of scale and burgeoning loan portfolios often result in above average overhead and provision expense-to-average asset ratios.

Nevada at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Institutions (#)	38	37	36	35	32
Total Assets (in thousands)	56,809,672	51,574,562	39,325,520	34,343,416	39,650,561
New Institutions (# < 3 years)	6	7	10	11	11
New Institutions (# < 9 years)	25	24	25	25	22

Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Tier 1 Leverage (median)	9.26	9.41	9.66	10.00	12.23

Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Past-Due and Nonaccrual (median %)	0.52%	0.85%	1.14%	1.71%	1.30%
Past-Due and Nonaccrual >= 5%	2	2	1	4	3
ALLL/Total Loans (median %)	1.18%	1.27%	1.31%	1.48%	1.50%
ALLL/Noncurrent Loans (median multiple)	3.25	2.65	1.89	2.71	2.47
Net Loan Losses/Loans (aggregate)	2.80%	1.61%	1.67%	3.46%	2.85%

Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Unprofitable Institutions (#)	1	5	4	6	9
Percent Unprofitable	2.63%	13.51%	11.11%	17.14%	28.13%
Return on Assets (median %)	1.27	1.07	0.82	0.80	0.93
25th Percentile	0.71	0.57	0.33	0.33	-0.06
Net Interest Margin (median %)	4.75%	4.61%	4.78%	5.00%	5.64%
Yield on Earning Assets (median)	6.00%	6.32%	6.96%	8.79%	9.80%
Cost of Funding Earning Assets (median)	1.21%	1.44%	1.79%	3.97%	4.06%
Provisions to Avg. Assets (median)	0.20%	0.30%	0.55%	0.58%	0.81%
Noninterest Income to Avg. Assets (median)	0.33%	0.47%	0.47%	0.53%	0.61%
Overhead to Avg. Assets (median)	2.92%	3.29%	3.69%	3.89%	4.22%

Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
Loans to Deposits (median %)	82.34%	85.47%	85.27%	82.26%	87.42%
Loans to Assets (median %)	71.51%	72.87%	72.28%	70.03%	70.74%
Brokered Deposits (# of Institutions)	21	19	14	8	6
Bro. Deps./Assets (median for above inst.)	5.36%	4.73%	5.70%	9.27%	4.16%
Noncore Funding to Assets (median)	14.15%	17.18%	18.10%	19.49%	18.07%
Core Funding to Assets (median)	70.37%	68.08%	67.61%	68.06%	66.44%

Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-00
State Nonmember	26	24	24	22	18
National	7	8	7	8	8
State Member	3	3	3	3	4
S&L	0	0	0	0	0
Savings Bank	2	2	2	2	2
Stock and Mutual SB	0	0	0	0	0

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
Las Vegas NV-AZ	27	49,900,655	71.05%	87.84%
Reno NV	7	6,610,560	18.42%	11.64%
No MSA	4	298,457	10.53%	0.53%